

April 7, 1995

DOCKET NO. G-002/AI-94-935

ORDER APPROVING AGREEMENT AND GRANTING VARIANCE

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Joel Jacobs
Marshall Johnson
Dee Knaak

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Petition of Northern States
Power Company Gas Utility for Approval of a
Gas Transportation Affiliated Interest
Agreement with Viking Gas Transmission
Company

ISSUE DATE: April 7, 1995

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PROCEDURAL HISTORY

On October 6, 1994, Northern States Power Company Gas Utility (NSP Gas or the Company) filed a petition for approval of an affiliated interest agreement with Viking Gas Transmission Company (Viking). The agreement is for the Viking pipeline to provide seasonal firm backhaul of natural gas to new NSP Gas retail customers served by the Lakes Area project. The Company also sought a variance to Minn. Rules, part 7825.2100 to obtain Purchased Gas Adjustment (PGA) recovery of costs arising before Commission approval of the agreement.

On December 7, 1994, the Department of Public Service (the Department) filed comments recommending approval of the affiliated interest agreement and the variance.

On December 16, 1994, NSP Gas filed reply comments. The Company agreed with the comments of the Department, with the exception of the Department's recommendation on accounting.

On March 23, 1995, the matter came before the Commission for consideration.

FINDINGS AND CONCLUSIONS

I. COMMENTS OF THE DEPARTMENT

The Department noted that this matter is connected with two other dockets which have recently been or will soon be before the Commission. In Docket No. G-002/AI-94-698¹ the Commission recently approved an affiliated interest agreement between NSP Gas and Viking regarding the cost of a pipeline interconnect at Pierz, Minnesota; this interconnect will be used in the transport of gas under the subject agreement. In Docket No. G-002/M-94-938, which has not yet come before the Commission, the Commission will address NSP Gas's request for approval of the necessary change to its pipeline demand entitlements.

The Department recommended that the Company be permitted to execute the Viking affiliated interest agreement only if the Company's request for a change in entitlements is approved in the 938 docket.

In its comments the Department recommended that the Company be required to book the Viking costs to Federal Energy Regulatory Commission (FERC) Account 805.1 because this is the PGA true-up account and is used for making adjustments to the overall cost of gas. At the March 23 Commission meeting the Department agreed with the Company's request to record Viking costs in Account 858, which includes all pipeline transportation costs.

II. Commission Action

The Commission will approve NSP's proposed affiliated interest agreement with Viking, contingent upon approval of the increase in demand entitlements in Docket No. G-002/M-94-938.

The Commission finds that NSP Gas has met the affiliated interest filing requirements under Minn. Stat. § 216B.48 and Minn. Rules, part 7825.2200. The Commission agrees with the Department that the contract is reasonable and in the public interest as required under Minn. Stat. § 216B.48, subd. 3, provided that the appropriate contract demand entitlements are approved in the 938 entitlements docket. Approval of the contract will not have an adverse effect upon the entitlements docket; the Company has acknowledged that approval of the agreement will not prevent a prudence review of the Company's entitlement level in the 938 docket.

The Commission agrees with the Department that a variance is necessary for the Company's petition, and that the variance should be granted. Minn. Rules, part 7825.2100 provides that a utility must obtain prior Commission approval before entering into an affiliated interest agreement.

¹ In the Matter of a Petition by Northern States Power Company-Gas Utility for Approval of Contribution in Aid of Construction to Viking Gas Transmission Company for a Pipeline Interconnect at Pierz to Serve the Lakes Area, ORDER APPROVING AGREEMENT (December 23, 1994).

NSP Gas had already executed the Viking contract before filing a request for its approval on October 6, 1994. The petition also asked for PGA recovery of associated costs from November 1, 1994, the effective date of the contract. A variance is necessary for the Company to collect from its customers for costs incurred prior to the Commission's approval of the contract.

The Commission finds that the Company fulfills the criteria for a variance found in Minn. Rules, part 7829.3200. Enforcement of the rule would impose an excessive burden upon the Company because it would not be able to recover gas costs incurred from November through March. Granting the variance would not adversely affect the public interest because ratepayers would only be paying the actual gas costs incurred by the Company. As stated previously, the proposed change in gas entitlements would still remain subject to Commission review in the 938 gas entitlements docket. Finally, granting the variance would not conflict with standards imposed by law.

The Commission agrees with the Company that costs should be recorded in FERC Account 858. This accounting method would be in accordance with the Uniform System of Accounts, which states that pipeline transportation costs are to be recorded in Account 858. The fact that this is an affiliate transaction should not change the proper accounting.

ORDER

1. The Commission approves NSP Gas's October 6, 1994, request for approval of an affiliated interest agreement, provided that the appropriate contract demand entitlements are approved in Docket No. G-002/M-94-938. Should the contract demand entitlements not be approved in that docket, NSP will not be permitted to collect the costs associated with this docket.
2. NSP Gas shall record the costs associated with the proposed backhaul arrangement in FERC Account No. 858.
3. The Commission grants NSP Gas a variance to Minn. Rules, part 7825.2100 to allow the Company PGA recovery of costs related to the Viking agreement from November 1, 1994.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)